

HOUSE BILL REPORT

EHB 1679

As Passed House:

March 5, 2009

Title: An act relating to access to catastrophic disability medical insurance under plan 2 of the law enforcement officers' and firefighters' retirement system.

Brief Description: Providing access to catastrophic disability medical insurance under plan 2 of the law enforcement officers' and firefighters' retirement system.

Sponsors: Representatives Simpson, Van De Wege, Ericks, Williams, White, Kelley, Sells, Ross, Hope and Conway; by request of LEOFF Plan 2 Retirement Board.

Brief History:

Committee Activity:

Ways & Means: 2/19/09, 2/27/09 [DP].

Floor Activity

Passed House: 3/5/09, 97-0.

Brief Summary of Engrossed Bill

- Permits Law Enforcement Officers' and Firefighters' Retirement System Plan 2 (LEOFF Plan 2) members that are totally disabled in the line of duty, and their spouses and dependent children, to participate in the Public Employees' Benefits Board (PEBB) health insurance.
- Provides that rates charged to totally disabled LEOFF Plan 2 members and dependents ineligible for Medicare be based on the risk pool of all actively employed and Medicare-ineligible PEBB members.
- Requires the Health Care Authority to recover benefit subsidy costs through a change to the LEOFF Plan 2 retirement fund.
- Expires the act on July 1, 2011.

HOUSE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass. Signed by 14 members: Representatives Linville, Chair; Ericks, Vice Chair; Cody, Conway, Darneille, Haigh, Hunt, Hunter, Kagi, Kenney, Kessler, Pettigrew, Seaquist and Sullivan.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Minority Report: Do not pass. Signed by 8 members: Representatives Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Dammeier, Assistant Ranking Minority Member; Chandler, Hinkle, Priest, Ross and Schmick.

Staff: David Pringle (786-7310)

Background:

The surviving spouses of emergency service personnel killed in the line of duty on or after January 1, 1998, may purchase health care benefits from the Public Employees' Benefits Board (PEBB). "Emergency service personnel" for this purpose includes fire fighter and law enforcement members of the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) and the Volunteer Fire Fighters' and Reserve Officers' Relief and Pension System, and the Washington State Patrol Retirement System (WSPRS). The cost of the insurance is paid by the surviving spouses and dependent children.

The 2006 Legislature added to the retirement allowance paid to survivors of all LEOFF Plan 2 members killed in the course of employment reimbursement for the cost of participating in a PEBB health insurance plan. The survivors of members killed in the line of duty prior to January 1, 1998, as well as on or after January 1, 1998, are eligible to participate in PEBB health insurance plans. A similar reimbursement benefit was added by the 2007 Legislature for similarly situated survivors of the WSPRS members.

A member of LEOFF Plan 2 who is totally disabled in the line of duty is entitled to a disability allowance equal to 70 percent of final average salary. The total disability benefit is reduced to the extent that in combination with certain workers' compensation payments and Social Security disability benefits, the disabled member would receive more than 100 percent of final average salary. The Department of Fish and Wildlife Enforcement Officers' compensation insurance benefits are also reduced for any disability benefits received from LEOFF Plan 2.

Total disability is defined as a member's inability to perform any substantial gainful activity due to a physical or mental condition that may be expected to result in death or last for at least 12 months. Substantial gainful activity is defined as average earnings of more than \$860 per month, adjusted annually based on Federal Social Security standards.

The LEOFF Plan 2 does not provide access to or pay for any health care insurance for any disability retirees. A disability retiree may have access to health care insurance through employer or employee associations or the open market. The LEOFF Plan 2 does pay for PEBB benefits for survivors of members that were killed in the course of employment.

Summary of Engrossed Bill:

The LEOFF Plan 2 members that are totally disabled in the line of duty, as well as their spouses and dependent children, are eligible to participate the the PEBB

The rates charged to totally disabled LEOFF Plan 2 members and dependents ineligible for Medicare for participation in the PEBB health insurance plans are based on the risk pool of

all actively employed and Medicare-ineligible PEBB members. If eligible for Medicare, the totally disabled LEOFF Plan 2 members or their dependents participate in the PEBB Medicare supplemental plans, as do other Medicare-eligible PEBB members.

The eligibility to participate in PEBB plans is a benefit of LEOFF Plan 2, and the Health Care Authority will charge an amount to the LEOFF Plan 2 retirement fund sufficient to offset the increased costs of the community risk pool attributable to the participation of the totally disabled members and their dependents.

The act expires July 1, 2011.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) This issue is one that has been before the LEOFF 2 Board for several years. For most, upon leaving employment, coverage ends, even in the event of a disability forcing them from service. The LEOFF 2 Board had a bill several years ago that gave access to everyone, but it was too expensive. This also raises some concerns about short-term costs. The 16 per year estimate is probably reasonable in the long-term, but so far we have only seen four of these disabilities in two years. Long-term disability is generally an optional, employee-purchased plan provided through associations. Disability benefits are capped at 100 percent of final average salary, from a combination of sources. We have a catastrophically disabled member and are discovering the gaps in LEOFF 2. Workers' Compensation takes care of injured members until they are fixed and stable, but then the members are on their own. On the open market, most insurers deny coverage, especially for pre-existing conditions. It doesn't take long to exceed the value of disability benefits when you have uninsured medical expenses to pay for. Health benefits will be provided to these individuals one way or another. These individuals don't want to be disabled, they want to lead productive lives.

(Opposed) None.

Persons Testifying: Kelly Fox, Washington State Council of Fire Fighters; Dallas Baker, Seattle Firefighters; Steve Nelsen, Law Enforcement Officers and Firefighters Plan 2 Retirement Board; and Jamie Daniels, Washington Council of Police and Sheriffs.

Persons Signed In To Testify But Not Testifying: None.